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Outlook in Mainland Southeast Asia

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OUTLOOK IN MAINLAND SOUTHEAST ASIA

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

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on 28 March 1961. Concurring were The Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations (Intelligence), Department of Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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OUTLOOK IN MAINLAND SOUTHEAST ASIA

THE PROBLEM

- a. To analyze the basic political and social conditions and trends in mainland Southeast Asia;¹
- b. To identify potential political-military crisis situations and to estimate probable developments over the next year or so in domestic stability and international orientation of the countries of the area; and
- c. To estimate the probable effects on the peoples and governments of these countries in the event there were significant Communist gains in Laos or South Vietnam.

CONCLUSIONS

1. Most Southeast Asian countries are either now experiencing or will encounter in the next year or two serious political crises arising out of foreign intervention, domestic strains, or a complex of factors attributable to their basically unstable and unhealthy political, social, and economic structure. By far the most serious problems are the deteriorating situation in Laos and the mounting Communist threat and precarious governmental situation in South Vietnam. (*Paras. 22-68*)
2. The Pathet Lao probably have a greater military capability than they have yet chosen to exercise. They could sharply step up the action at any time and probably achieve a series of local victories.

This would increase the likelihood of the disintegration of the Laotian Army and the subsequent collapse of the non-Communist position. The Laotian crisis has become a matter of contention among the major powers and its resolution rests primarily in non-Laotian hands. (*Paras. 28-30*)

3. In South Vietnam, the situation of the Diem government seems likely to become increasingly difficult, not only because of rising Communist guerrilla strength and declining internal security but also because of widening dissatisfaction with Diem's government. Since the coup attempt of November 1960, Diem has reasserted his control of the government and made some cautious moves toward government reform; he has taken action

¹ Laos, South Vietnam, Cambodia, Thailand, Burma, and Malaya.

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to improve the antiguerrilla capabilities of the army and stepped up military activities against the Viet Cong. Nonetheless, the factors which gave rise to the November 1960 coup attempt still exist, and we believe that the odds favor another coup attempt by non-Communist elements in the next year or so. The Communists would attempt to exploit any new efforts to unseat the government. We are not confident that the army would be able to keep the situation from getting out of hand. (Paras. 36-38)

4. There is deep awareness among the countries of Southeast Asia that developments in the Laotian crisis, and its outcome, have a profound impact on their future. The governments of the area tend to regard the Laotian crisis as a symbolic test of intentions, wills, and strengths between the major powers of the West and the Communist Bloc. (Para. 69)

5. Those countries which are in close alignment with the US favor stronger measures to assure at least a non-Communist and preferably an anti-Communist, western-oriented regime in Laos; neutralist Burma and Cambodia, as well as Malaya, favor a neutralist but not Communist-dominated government. These latter governments favor some form of international political agreement to end the crisis. They would be alarmed if Laos were lost under conditions which indicated to them that the US position in the area had gravely weakened. (Para. 70)

6. The loss of Laos to the Communists, or perhaps even the division of the country, would almost certainly incline the Thai toward accommodation to Commu-

nist power in Southeast Asia. A predominantly Communist-controlled Laos would vitally threaten South Vietnam's independence; it would greatly extend the Communist frontiers with South Vietnam; it would bring substantially greater Communist military power to bear on the crucial Saigon defense complex; and it would greatly facilitate Communist infiltration and subversion. The close proximity of a Communist state would make more difficult Western efforts to starch up local resistance. In short, the loss of Laos would severely damage the US position and its influence in Thailand and South Vietnam. (Para. 72)

7. The future course of all of the countries of Southeast Asia would be strongly influenced by the actual circumstances in which the loss or division of Laos had occurred as well as the local appraisal of the attitude and actions of the US in response to the situation. The extent to which these countries would go in resisting Bloc pressures or in withstanding local Communist threats would depend in great degree on whether they still assessed that the US could stem further Communist expansion in the area. They would feel more keenly than before a strong temptation to take a neutral position between the two power blocs, even though they recognized that the US is the only country with sufficient power to oppose the Communist Bloc in the area. Although they probably would be deeply disillusioned regarding US resolution after the loss or division of Laos, they would nonetheless welcome demonstrations of US firmness and might in response modify their appraisal of their own future in due course. (Para. 73)

8. Although the Communist threat to South Vietnam has reached serious proportions, the chances of a Communist takeover in the next year or so are considerably less than they are in Laos. Nevertheless, Peiping and Hanoi almost certainly attach greater importance to their efforts in South Vietnam than they do to their efforts in Laos. US prestige and policy are particularly deeply engaged in South Vietnam. Diem's policy of close alignment with the US is on trial in the current crisis. All countries of the

area would attach great importance to a failure of the South Vietnam Government to cope successfully with the rising tempo of Communist subversion and armed insurrection. If South Vietnam were to fall to the Communists or be forced to swing toward neutralism, the impact upon the countries of Southeast Asia would be similar in kind but considerably more severe than that resulting from the loss or division of Laos. (Para. 74)

DISCUSSION

I. AN HISTORICAL PERSPECTIVE

9. Throughout their histories the countries and peoples of Southeast Asia have been caught in the crossfire of outside influences. In early times they lived in the shadows of the great civilizations of India and China from which they derived many characteristics of their diverse cultures and social orders. Later, during the period of colonial domination, Western civilization left its stamp on cultural, social, and political institutions of the area. More recently, Southeast Asia has been caught up in the competition between the two great modern political and ideological movements—Communist totalitarianism and representative democracy.

10. Since 1940 the peoples of Southeast Asia have been involved in a revolutionary experience which has few parallels in history for diversity, scope, and speed. During this period, Southeast Asia has experienced major war, the military defeat in World War II of the Western colonial powers by an Asian power, a disillusioning occupation by Japan, a great upsurge of nationalism, the defeat of France in Indochina, and the rapid growth of Communist pressures and influence. Since the end of the Second World War, a wave of independence has swept mainland Southeast

Asia, leaving in its wake a number of new sovereign states. Traditional social and cultural patterns and values have been undergoing change. Economic and political problems have multiplied in number and increased in complexity. Every state in Southeast Asia, except Thailand, has experienced Communist insurrection or invasion. Their immediate neighbor—Communist China—has emerged as a new and threatening Asian power, and the US, partly in response, has greatly increased its activities and presence in their area. Thus, regardless of the wishes of the peoples and governments of the area, the issues of the global cold war between two great world power blocs have focused sharply in Southeast Asia. Historically, the peoples and leaders of Southeast Asia, when caught between overwhelming outside forces or influences, have taken the line of least resistance and have accommodated to superior power.

11. There is great political, cultural, ethnic, and historical diversity among the countries and peoples of Southeast Asia. There is among them no sense of regional unity. Most of the peoples of the area identify themselves with their ethnic groups. More recently, and thus far only within limited circles, they have begun to identify themselves with their na-

tions. Despite their great diversity the peoples and leaders of the area face in common a number of basic problems concerning economic development, political stability, ethnic antagonisms, Communist pressures, and national security. They also share, although to varying degrees, an emotional nationalism compounded of anticolonialism, racism, and a growing demand for equality, respect, and prestige among nations.

II. TRENDS IN THE AREA

A. Conditions and Trends Affecting Internal Development

12. No strong sense of national unity has yet developed among the diverse peoples within the countries of Southeast Asia. They all contain sizable unassimilated ethnic minorities. In Malaya, for example, the population is split chiefly between the indigenous Malays and the Overseas Chinese. The ethnic Lao constitute only about half the population of Laos; the remainder are made up of a number of ethnic and tribal groups, several of which overlap into the adjoining countries of Burma, China, and North Vietnam. Even in Cambodia and Thailand, which have the advantage of considerable linguistic, cultural, and ethnic homogeneity, there are large unassimilated Chinese and Vietnamese communities which wield economic influence disproportionate to their size. The historic suspicions and antagonisms among the various ethnic groups continue, and there are very few instances of a trend toward mutual accommodation or assimilation.

13. None of the nations of Southeast Asia has yet firmly established institutions and traditions necessary for peaceful and orderly political change. British tutelage has made a promising impact on the political life of Malaya and Burma, but this is largely offset in the former case by the potential for instability which exists in the communal nature of Malaya's society. Throughout the area there exists an unwillingness among the moderate and conservative national leaders to submerge their individual or group ambitions and rivalries for the sake of national

welfare. We can discern no trend toward increasing cohesion among the moderate and conservative leadership groups.

14. Despite postwar efforts to establish parliamentary democracy, the present trend is for political authority to become increasingly concentrated in very small groups. In most instances, political power also means economic power and personal gain, and in many instances political power is regarded as the means and economic power the end. The groups in power are but a small part of the educated elite in each country. Although the elite groups are at least superficially attracted to Western political concepts, the political and social realities in their countries retard, and in some cases preclude, the development of concepts of a loyal opposition and an orderly transfer of governmental authority.

15. There is a vast intellectual, economic, and social gulf between the leadership elites and governing circles on the one hand and the mass of the population on the other. In all the countries of the area 75 to 85 percent of the population are peasants or village dwellers. For the most part they are illiterate, suspicious of central authority, and out of touch with national and international developments. Many of them live outside the national money economy. Although most of the peasants tend to be politically apathetic, they are often resentful of local and provincial officials, and they are gradually becoming aware of the vast difference between their lot and that of the leadership elites. A similar gap exists between the elites and the bulk of the people who live in the urban centers, where the dissatisfaction growing out of the situation is more acute. The small governing groups are under increasing pressures from the educated elites and, to some extent, even from the masses whose political aspirations and economic expectations are on the rise. Consequently, governments in the area are finding it increasingly difficult to evoke positive public support.

16. The military has generally come to play an increasingly important political role in the area except in the cases of Cambodia and Malaya. Thailand has been ruled almost con-

tinually since 1932 by a military junta. Military leaders throughout the area account for a significant part of the educated elite, and they are becoming increasingly conscious of their potential political power and increasingly dissatisfied with the performance of their civilian governments. Their grievances include governmental inefficiency and corruption, and dissatisfaction with the government's means of dealing with internal promotions within the military. As a result, the governing groups cannot count so heavily as they once did on military backing in a time of political crisis. For their part, military leaders in the Southeast Asia countries are prone to factionalism. In general, the more they become involved in political and economic affairs, the wider spreads the circle of corruption among their ranks and the more acute their factional rivalries tend to become.

17. No matter how well motivated, the military leaders have at times shown themselves to be politically inept and incapable of sustained united political action. Moreover, they have not been able to overcome the historical tendency of the peoples of the area to regard the military with suspicion and hostility. On the other hand, despite their shortcomings as political instruments, the armies of the Southeast Asian nations have been important stabilizing forces on the national scene and major factors in inhibiting Communist advances. They constitute the largest and best organized single element in the society of these nations.

B. Conditions and Trends Affecting International Orientation

18. Most of the peoples of Southeast Asia are only vaguely aware of developments outside their local communities. Among the educated and semieducated groups in the urban areas, however, there has developed an active interest in international affairs. In general, these groups are highly nationalistic and acutely sensitive to real or imagined slights to their nation's sovereignty. Many of the educated, particularly those dissatisfied with their economic or political lot, are attracted to

Marxist and Socialist economic theories without in many instances understanding them. Anticolonial and antiwhite sentiments are likely to be strong and vocal among these urban groups.

19. The peoples of Southeast Asia are preoccupied with their own problems and aspirations. They have no desire to see their countries as a battlefield in the cold war and resent being treated as pawns by the major powers. There is a growing tendency among them to view the Communist Bloc as on the rise and the West as on the wane in the rhythm of history. They have no real enthusiasm for alignment with either the Communist Bloc or the West, and among them there is a growing tendency to believe that neutralism provides greater security and freedom of action at less risk than close relations with the West.

20. To the educated elites and the small governing groups alike, the proximity of Communist China, with its vast population and growing military power, is an omnipresent fact of life. The foreign policy question constantly before the Southeast Asia governments is how best to deal with the looming threat of China—whether to depend upon Western policy and strength, or to make some degree of accommodation with Communist China. In either case, the intent is the same—to preserve national integrity and independence—and the method is similar—to avoid complete commitment and to maintain the maximum flexibility.

21. In sum, while the Southeast Asians are in no hurry to place themselves at the Bloc's mercy, they are in general becoming more reluctant to assume a strong stand in opposition to China in the absence of certain guarantees of swift, successful, and painless Western protection. This is caused principally by reluctance to offend an increasingly powerful China; growing concern over involvement in modern war; uncertainty, fed by recent events in Laos, as to US consistency and promises of support; a belief that they can survive and successfully play off East and West through neutralist tactics; and concern that growing Sino-Soviet power may deter the US from effec-

tive action to prevent an eventual Chinese Communist hegemony in Southeast Asia.

III. MAJOR PROBLEMS AND OUTLOOK IN THE SOUTHEAST ASIA COUNTRIES

22. The following series of brief country estimates concentrates on the two or three situations in each country which have reached crisis proportions or are likely to do so in the near future. Except for the situations in Laos and South Vietnam, the most pressing problems are the result of particular internal circumstances rather than Communist activity.

23. The Communist threat in Laos is critical and has reached serious proportions in South Vietnam. Elsewhere in mainland Southeast Asia the immediate security situation is reasonably good. The protracted Communist insurrection in Malaya is virtually liquidated and the major Communist effort there has shifted from armed "national liberation" to the establishment of a base for future political activities. In Thailand, Communist assets are still quite limited. Local Communist activity within Burma and Cambodia appears to be proceeding in a low key.

A. Laos²

The Military and Political Situations

24. Laos is a country divided by two contending factions. The pro-Communist forces control Xieng Khouang, Sam Neua, Phong Saly, and large parts of Luang Prabang provinces. They are consolidating their political and administrative authority in these areas without effective resistance. The Pathet Lao and the Bloc capitals still claim Souvanna Phouma to be the legal Prime Minister. A government rivaling that at Vientiane has been installed at Xieng Khouang, with Khamsouk Keola acting as Premier while Souvanna remains out of the country. The Pathet Lao have begun

² See also, SNIE 68-60, "The Situation and Short-Term Outlook in Laos," dated 6 December 1960; SNIE 68-2-60, "Probable Communist Intentions in Laos," dated 29 December 1960; and SNIE 58-61, "Probable Communist Reactions to Certain US Courses of Action With Respect to Laos," dated 21 February 1961.

to organize the territory under their control along Communist lines.

25. The Laotian Government of Prince Boun Oum and General Phoumi is ineffective and has become increasingly corrupt. It is not a broadly representative government and its efforts to generate non-Communist support have been largely inept and unsuccessful. The National Assembly delegates are for the most part apathetic, neither opposing the government nor providing it strong support. Badly needed social and political reform programs have been pushed into the background by the exigencies of the military situation.

26. The military situation in Laos has degenerated into sporadic civil war. Military action has been characterized by repeated Pathet Lao probing actions, Laotian Army withdrawals, and subsequent regroupings. Since the Communist Pathet Lao-Kong Le forces seized the Plaine des Jarres in January they have concentrated much of their strength in that area and appear to have initiated a major training effort. The logistic buildup has reached substantial proportions. The Soviet airlift into Laos, especially into Xieng Khouang province, continues at a high and sustained rate. Additional supplies are being brought in by truck from North Vietnam. Some North Vietnamese artillery crews are working with the Pathet Lao forces. In addition North Vietnam is providing training assistance and tactical guidance.

27. The Laotian Government forces are superior in number to the Pathet Lao and have a greater amount of equipment available to them. However, problems of internal security and transportation prevent them from concentrating their strength. The Laotian Army is poorly led and in general lacks a will to fight. It has been very slow to initiate any effective military operations and will be unable to retake the Plaine des Jarres and Xieng Khouang in the near future.

Outlook

28. Present Pathet Lao tactics appear to be to consolidate, politically and militarily, their positions in the north. However, the Pathet

Lao has a greater military capability in both the Plaines des Jarres and Plateau des Bolovens areas than they have thus far chosen to exercise. They could sharply step up their military activities at any time and could employ a variety of tactics. They could expand their attack on such government concentrations as Luang Prabang with sizable forces or they could launch widespread guerrilla activity throughout Laos. Southern Laos is particularly vulnerable at this time to such guerrilla activity.

29. A dramatic, though limited, victory by the Pathet Lao, or a series of local victories, could occur at any time. In turn, such a development could cause a collapse of the non-Communist position, lead to a general disintegration of the Laotian Army, and to the establishment of a pro-Communist "neutralist" regime in Vientiane.

30. Assuming that the Laotian Army does not dissolve under military pressure or lose all its will to resist, it is possible that, in time, some basis for negotiated settlement may be devised. However, a "solution" to the Laotian crisis has become a matter of contention among the major powers. Any agreement which would end the armed struggle in Laos and resolve the political impasse in that country rests primarily in non-Laotian hands.

B. South Vietnam ³

31. An extremely critical period for President Ngo Dinh Diem and the Republic of Vietnam lies immediately ahead. During the past six months the internal security situation has continued to deteriorate and has now reached serious proportions. Communist North Vietnam has stepped up its covert direction and support of the Viet Cong, its paramilitary arm in South Vietnam, and intensified its political and propaganda pressures on South Vietnam. During this same period, non-Communist political opposition to Diem and his regime has developed markedly, and there are increasing signs of dissatisfaction within the Vietnamese military establishment. Both factors were in-

³Supplements SNIE 63.1-60, "Short-Term Trends in South Vietnam," dated 23 August 1960.

volved in the abortive coup d'etat of last November.

32. *The Internal Security Problem.* The military phase of the North Vietnamese drive for "reunification" has been proceeding at a rising level since late 1959. Since that time, the size of Viet Cong guerrilla-terrorist apparatus in South Vietnam has increased greatly and now numbers approximately 8,000-10,000, as a result of infiltration and increased local recruitment. Local recruits and sympathetic or intimidated villagers have enhanced Viet Cong control and influence over increasing areas of the countryside. For example, more than one-half of the entire rural region south and southwest of Saigon, as well as some areas to the north, are under considerable Communist control. Some of these areas are in effect denied to all government authority not immediately backed by substantial armed force. The Viet Cong's strength encircles Saigon and has recently begun to move closer in on the city. There has been an increase in guerrilla activity in the central highlands, notably in regions directly bordering on Laos. The guerrillas have increased their terrorist attacks on villagers and local officials. Operating often in sizable groups of 30 to 80 or more, they have moved with growing boldness against the Vietnamese Army itself. Over 2,600 civilians, mostly government officials and sympathizers, were assassinated or kidnapped by the Viet Cong in 1960. Despite growing Vietnamese Army aggressiveness and substantial casualties inflicted by the army, the Viet Cong guerrillas continue to retain the initiative in the field.

33. *Political Problems.* The deterioration in the position of the Diem government reached a new extreme in November when army paratroop officers joined forces with a number of civilian oppositionists in a narrowly defeated attempt to overthrow Diem. On the surface, Diem's position appears to have improved somewhat since then. He has reasserted his control of the government, made some cautious moves toward government reform, and proceeded with plans for the presidential election to be held in April. He has taken action to improve the antiguerrilla capabilities

of the army and stepped up military activities against the Viet Cong. However, the factors which gave rise to the coup attempt have not been seriously dealt with and still exist. Discontent with the Diem government continues to be prevalent among intellectual circles and, to a lesser degree, among labor and business groups. There has been an increasing disposition within official circles and the army to question Diem's ability to lead in this period. Many feel that he is unable to rally the people in the fight against the Communists because of his reliance on virtual one-man rule, his toleration of corruption extending even to his immediate entourage, and his refusal to relax a rigid system of public controls. Moreover, the people in the countryside are becoming increasingly disillusioned regarding the government's ability to protect them from deprivations and taxation by the Viet Cong.

34. The November coup attempt encouraged the North Vietnamese to strengthen their political and propaganda drive against Diem. New efforts are being made by the Communists to stimulate "united front" action by individuals and groups in South Vietnam which are known to oppose Diem. The objective is to intensify and exploit anti-Diem sentiment, and to supplement their guerrilla activities with a political campaign against the regime.

35. The Vietnamese Army has also been affected by the present political situation. A significant part of the November coup group came from hitherto trusted army units. In view of this and the apparent hesitancy of some top military leaders to act quickly in his support, Diem is now more suspicious of the army as a potentially serious source of antigovernment activity. The coup attempt has probably opened the eyes of many army officers to their political potential.

Outlook

36. The key issue facing the Diem government over the next six months arises from the Communist internal threat. If the army is able to make substantial progress toward subduing the Viet Cong guerrillas, the political position of the government will be substantially improved. However, if there is no dis-

cernible improvement in the internal security situation and Diem continues to be arbitrary in dealing with the military and government leaders, their support for Diem will become increasingly uncertain. There would be growing likelihood of a definite split in the army and government leadership between those backing Diem and those opposed to him. Such a situation would substantially add to the regime's instability and increase the prospect for another coup attempt.

37. Given Diem's precarious political situation and the strength of Communist guerrilla and subversive pressures, we believe that the odds favor a second coup attempt sometime in the next year or so. The Communists would like to initiate and control a coup against Diem, and their armed and subversive operations including "united front" efforts are directed toward this purpose. It is more likely, however, that any coup attempt which occurs over the next year or so will originate among non-Communist elements, perhaps a combination of disgruntled civilian officials and oppositionists and army elements, broader than those involved in the November attempt. If such a coup appeared to have good prospects of succeeding, various groups such as the sects and labor unions probably would join in. We believe that if this were to happen such a coup attempt would have a better than even chance of succeeding.

38. Any coup group not primarily sponsored and supported by the Communists would be likely to maintain South Vietnam's pro-US orientation and to seek US help in resisting Viet Cong attempts to capitalize on the coup. The leaders of any anti-Diem coup originating within the present government or the army would probably maintain Vietnam's pro-US orientation. Nevertheless, Hanoi would seek to exploit the confusion attending a revolutionary change of government in South Vietnam and it is uncertain that the army would be able to keep the situation from getting out of hand.

39. Diem's removal from office would probably result in a scramble for power. Under such circumstances, Vice President Nguyen Ngoc Tho would seem to have a slightly better than

even chance of succeeding Diem. Tho is the constitutional successor. He is generally respected within the government and considered to be one of its most influential members. Moreover he has some support within the army and he has been on good terms with two of Diem's brothers, Ngo Dinh Luyen and Roman Catholic Archbishop Ngo Dinh Thuc. However, Tho or any other successor would probably exercise less personal power than Diem, and would have to control or accommodate to the power of the army which will almost certainly play a major role in any new government.

40. The presidential election now scheduled for early April provides a potential occasion for explosive developments on the political scene. The Viet Cong almost certainly will attempt to exploit the confusion that normally attends election campaigns in South Vietnam, and they may seek to force the government to postpone the elections. They may attempt to activate their announced National Front for Liberation, publicly establishing it in Viet Cong-held territory in South Vietnam and offering support to all anti-Diem nationalist elements. On the government side, members of Diem's regime will probably tamper with the elections and as a result his victory may be an overwhelming one. If these efforts are blatant, major demonstrations and riots may occur in Saigon.

C. Thailand

41. Prime Minister Sarit Thanarat came to power in 1957 through a military coup d'etat and is the undisputed leader of the present ruling group. Throughout the course of his rule, Sarit has kept Thailand closely aligned with the US and the West. The US in turn has been instrumental in building up the Thai military establishment (a major source of Sarit's political strength) and in helping develop the Thai economy. There is some discontent with the existing political order, especially among urban and educated groups. However, the majority of the Thai people, especially those in the countryside, feel little concern with the political activities in

Bangkok, and tend to focus their loyalty on the King.

42. *Political.* The immediate course of political events within Thailand hangs primarily upon Prime Minister Sarit's uncertain health. If Sarit should depart from the political scene because of incapacity or death, it is probable that General Thanom Kittikachorn, Deputy Prime Minister and Minister of Defense, would succeed to the Premiership. Thanom, who served as Prime Minister for 10 months in 1958, has been named by Sarit as the heir apparent. He appears at this time to have the support of the powerful and ambitious Minister of Interior, General Praphat Charusathien.

43. Members of the middle grade officer echelon are dissatisfied with their present status and their share of the graft available to members of the regime. Another weakening of Sarit's physical condition conceivably could encourage an attempt to grab power by some of these officers.

44. Sarit's death or incapacity would almost certainly be followed by increasing tensions within the ruling military group. Latent differences between Generals Thanom and Praphat could develop into a serious schism. In the event of a serious power struggle within the ruling group, prospects would be for a relatively brief period of government instability, followed by the eventual assumption of power by one of the contending factions and the continuation of military control of the government essentially along present and past lines.

45. *Foreign Policy.* Thai foreign policy is highly sensitive to the Thai assessment of developments in the Far East, particularly those involving Laos, and of US reaction to these developments. Neither the present leadership nor any successor military ruling group is likely to divest itself of its close ties with the US and the West as long as it considers that these connections provide adequate assurance of Thailand's survival as a free and independent nation. On the other hand, if Thai leaders should reach the conclusion that the US is either unwilling or unable to guaran-

tee the security of the kingdom, they would probably seek an accommodation with the Communist Bloc. Thai society in general is not sympathetic to communism; Thailand's traditional enemy is China, Communist or non-Communist. Nonetheless, Thailand's foreign policy is pragmatically based, and the Thai would react to a real or apparent swing of the balance of power in favor of the Communists in the Far East.

46. Although US-Thai relations remain close, developments since the August 1960 Kong Le coup in Laos have at times strained the relationship. The Thai leaders not only consider a neutralist and Communist-influenced Laos a threat to Thai security, but also view US actions in Laos as a test of US intentions and strength in Southeast Asia. They have almost certainly undertaken a private reassessment of their unequivocal alignment with the US and the West, and they have made gestures toward the USSR which were probably intended as a warning to the US. Although they have apparently concluded that the time has not arrived for any significant policy shift, there is a clear hardening of attitude toward the US among a number of top Thai leaders, including Sarit, who believe that their cooperation with the US has not been fully recompensed. A perennial source of irritation to the Thai is the US policy of dispensing comparatively large amounts of aid to neutrals, particularly to neighboring Cambodia. Efforts to convince Sarit and most other government leaders that US assistance to neutrals, even Cambodia, benefits the Free World, including Thailand, have met with little success.

D. Burma

47. Over the past year, since control of the government was returned to Prime Minister Nu and the politicians by General Ne Win and the Burmese military, economic and social conditions in Burma have generally declined. Price levels have begun to rise again, local crime rates are up, and the security of the countryside has worsened. The ruling Union Party is showing signs of coming apart at the seams, and local Communists are again be-

coming active. At a time of unprecedented Burmese rapprochement with Communist China, US relations with Burma have become inflamed over the issue of the Chinese Nationalist irregulars in Burma.

48. *Political.* The 1960 elections were a great personal triumph for U Nu who returned to head a government with a two-thirds majority in the Chamber of Deputies. U Nu's personal prestige throughout Burma remains high despite growing factional dissension within his own Union Party and despite accumulating unresolved political problems, many of them involving the ethnic minorities. The most immediate threat to the stability of Nu's government lies in the increasing factionalism within the Union Party, and the scramble among competing groups for control of party machinery and organization. U Nu will probably be able to avert an open break in the party, but internal disputes will probably continue. The unsettled condition of the Union Party will continue to detract from the government's ability to act decisively.

49. Probably the most difficult problem confronting U Nu arises from his election campaign promise to make Buddhism the state religion. This has caused growing unrest among many Christian and non-Buddhist tribal groups in Burma, particularly the Kachins in the north. There has been a considerable resurgence of political activity by Communist and left-wing elements since U Nu returned to power and dropped the army-imposed measures directed against them. The Burmese political scene will probably be marked by increasing turbulence and instability over the next year. However, U Nu will probably continue to head the government at least for the next year.

50. *The Army.* During late 1960 considerable pressure built up within the army for new political action to reinstitute army control. This pressure was leading to a serious confrontation between General Ne Win and a number of army political activists. Ne Win wanted no change in the political situation, at least until the China-Burma border demarcation now underway was completed, while the other army group believed that a

new move against the government was needed immediately. The matter apparently was settled in February 1961 when General Ne Win summarily directed the resignation or reassignment of a substantial number of the army's most senior officers. An attempt by these officers to counter Ne Win's action probably would not succeed.

51. We believe that Ne Win will continue to dominate army policy and that he will not for the time being choose to involve the army directly in national political affairs. His attitude could change if U Nu's party fragmented and serious political instability appeared to be threatening the country. If that happened Ne Win would probably move to shore up U Nu's position and effect some working arrangement with him which would increase army participation in government and administration.

52. *Foreign policy.* The Nu government has made no major changes in Burma's traditional foreign policy of nonalignment in the cold war and of general cooperation with the neutralist Asian countries. However, owing partly to the personal initiative of U Nu—who strongly desired to reaffirm "peaceful co-existence" as the cornerstone of Burmese neutralism and to complete the settlement of the Sino-Burmese border question initiated by General Ne Win—Burma has established considerably more friendly diplomatic relations and closer economic ties with Communist China than have existed heretofore. In January 1961, Burma signed an agreement on economic and technical cooperation providing for a Chinese Communist long-term interest-free loan of about \$84 million to finance Chinese equipment and technical advice for Burmese economic development projects. This loan agreement, the largest Communist China has offered to any non-Communist country, is to come into force in October 1961, with repayment over a 10-year period beginning in 1971.

53. Utilization of Communist China's proffered assistance in Burma's Four-Year Plan may give Peiping substantial influence over the general orientation of Burma's economic planning efforts. Closer Sino-Burmese trade

relations will probably develop if, as expected, Burma concludes trade arrangements for increased rice exports to China during the next months. However, in keeping with Burma's avowed policy of accepting aid from both Blocs, the Nu government will probably continue to draw on existing US grant and loan aid. Burma will probably also seek economic, and perhaps military, assistance from the Soviet Union sometime in the near future.

54. US-Burmese relations have recently deteriorated sharply as a result of developments involving the Chinese Nationalist irregulars in northeast Burma. Acting under a secret agreement providing for joint action to protect the teams engaged in demarcating the Sino-Burmese border, the Chinese Communists launched an attack into Burma against the Nationalist units in December 1960. The Burmese Army later joined in. By February 1961, the forces of the two countries had succeeded in capturing the major Nationalist bases and driving most of the irregulars across the Mekong into Laos and Thailand, although this was apparently done at the cost of severe casualties to the Burmese Army. Substantial quantities of Nationalist arms and equipment, much of it US made, were captured by the Burmese. As news of the fighting and the capture of US-manufactured arms in the hands of the Nationalist irregulars became known, an army-inspired press campaign began to grow, aimed in part at the Taiwan regime but chiefly at the US as the country primarily responsible. The fact that Chinese Communist troops helped the Burmese Army in the attack on the irregulars has been kept from the Burmese public and U Nu has publicly and emphatically denied the presence of any Chinese Communist troops on Burmese soil.

55. In February, the Burmese Government brought to the attention of the UN the matter of the Nationalist irregulars and their continuing support from Taiwan. Whipped up by the press campaign, student and labor groups have led anti-US riots in Rangoon and Mandalay. A number of the US advisers to the Burmese Army have been requested to leave prior to the expiration of their tours in

April. US relations with the Burmese military, which once were quite close, have suffered a sharp decline. Although U Nu probably wishes to avoid serious damage to US-Burmese relations, he probably will seek to exploit public and army feeling over the supposed US role in supporting the Chinese Nationalist irregulars in order to force the liquidation of the problem posed by the irregulars. To this end the Burmese Government will probably continue a generally anti-US line over the next several months.

E. Cambodia

56. Cambodia is dominated by Prince Norodom Sihanouk, the 39-year old ruler who has been variously King, Prime Minister, and Chief of State of his country. Whatever his position at any given time, Sihanouk is in fact the center of power within Cambodia. Moreover, he fully controls Cambodian foreign policy. As his views of the world scene have changed, Cambodia's relations with the East and West have changed. His dominance has been responsible for the many sharp swings, right and left, of Cambodia's foreign policy in the past. The one constant throughout Sihanouk's rule has been his conviction that the key to Cambodia's domestic stability and international security lies in following a policy of neutrality.

57. Although Sihanouk professes neutrality, several factors have combined at times to make him incline toward the Soviet Bloc. These factors include Cambodia's proximity to Communist China; Sihanouk's apparent feeling that communism and Communist China represent the "wave of the future," particularly in Asia; his fear of Communist strength and ruthlessness, particularly that of China; and Cambodia's traditional enmity with Thailand and Vietnam, accentuated in modern days by their differing foreign policies. At the same time, Sihanouk takes great care to assure the Soviet Bloc that his acceptance of US or French military assistance does not modify his basic policy of neutrality.

58. In domestic policy, Sihanouk attempts to keep left-wing and Communist influences in check. From time to time he has suppressed

domestic Communist activity and Communist-oriented newspapers. Sihanouk's fear of internal subversion, both Communist and Western, causes him to maintain a high state of internal vigilance. This fear, and that of losing Western economic and military aid, have probably been the main reasons for his continued refusal to accept military aid from the Soviet Bloc.

59. Although Sihanouk has been careful to watch out for subversion in its militant forms, he has been lenient in other fields where the danger is less immediate. Thus Communist propaganda, despite occasional suppression, is widespread and is having a serious impact on the increasing number of literate and educated Cambodians. Bloc economic aid is well publicized and contributes to an effective pro-Communist impact. Sihanouk himself, by his public tirades against the West at times of tension with Thailand and South Vietnam, has also contributed to this impact. His desire to enlist the support of leftist-oriented educated youth leads him to overlook the potential danger they pose to his neutralist policy abroad and nationalist policy at home. While Sihanouk may be justifiably confident at this time of his ability to control or direct public opinion, he or his successor may in time have to be responsive to a public opinion increasingly favorable to the Communist Bloc, an opinion which he helped to create and permitted to develop.

60. Sihanouk will continue to dominate the political scene in Cambodia for the foreseeable future. Economic considerations are not likely to provoke significant internal political pressures. Sihanouk will continue to steer Cambodia along a middle course, committed to neither major power group and seeking aid and assistance from both. Within the limits of his neutralist policy, Sihanouk will turn his smiles or tirades toward the West or the Bloc and back again, according to his feeling for the situation. The balance between East and West in Southeast Asia is a most important determinant for Sihanouk, and this could be affected greatly by developments in the Lao-tian crisis.

61. Although Sihanouk would probably adjust quite readily to almost any resolution of the Laotian crisis, the solution he would almost certainly prefer would be a neutral belt composed of Laos and Cambodia, guaranteed by the great powers. He would not like to see Laos under Communist domination, but his sympathies clearly lie with the neutralist course Souvanna Phouma has advocated for Laos. Sihanouk probably places Boun Oum and Phoumi in the same general category as Diem and Sarit, his major antagonists in the Southeast Asia area. Sihanouk's proposal for a 14-nation conference to negotiate a solution to the Laotian crisis was a serious effort on his part to seek an end to a situation which he regards as a serious one for Cambodia.

F. Malaya

62. Malaya is one of the most prosperous nations in Asia and has a stable and conservative government. Under Prime Minister Tunku Abdul Rahman, the ruling Alliance Party has a strong majority in Parliament. Rahman has shown considerable ability since Malaya gained independence in 1957 in managing the government in a competent and efficient manner. As a member of the British Commonwealth, Malaya has generally pursued a pro-Western foreign policy and has shown little sympathy for Communist causes. It is further tied to the West by the Anglo-Malayan Defense Agreement, concluded at the time of independence, which specified that the UK will provide assistance for Malaya's armed forces and for its external defense. Although Prime Minister Rahman has recently advocated the admission of Communist China to the UN along with an independent Formosa, Malaya has refused to establish diplomatic relations with members of the Communist Bloc.

63. The 12-year long state of emergency resulting from the armed Communist insurrection was officially ended by the government on 31 July 1960. The rebel force has now been reduced to a few hundred individuals confined largely to the Malaya-Thailand border region, and Communist tactics have shifted from armed insurrection to clandestine

political organization and the penetration of labor and student groups. The Communists hope thereby to build a base for political and national front activities.

64. *Political Implications of Communal Rivalry.* The racial composition of Malaya is its most important political determinant. Only 50 percent of the Federation's population is Malay; 36 percent is Chinese, and 11 percent Indian and Pakistani. Although the Chinese and Malays have lived in relative harmony since independence, racial antagonisms are nonetheless deep-seated. The energetic Chinese, who control much of the nation's economic life, tend to look down on the Malays as indolent, inefficient, and culturally inferior. Many still regard mainland China as their motherland, an attitude which has been enhanced by China's growing international importance. The predominantly Muslim Malays in turn regard the Chinese as pork-eating foreigners, atheists, and economic exploiters.

65. The economic and cultural differences are further complicated by the fact that, by constitutional mandate, the Malays are assured of control over the civil and security services and are given special consideration in land development as well. The constitution establishes Malay as the national language but provides for the use of English as an official language for 10 years (i.e., until 1967). It requires for citizenship that non-Malays have a knowledge of Malay and meet certain residence requirements. These conditions tend to discriminate against the Chinese. There is a clear tendency among the younger elements of both racial groups toward radicalism—the Malays attracted to extremist nationalistic movements and the Chinese youth attracted to left-wing causes and groups. The older, more moderate Chinese and Malay leaders, who now dominate the government and the major political parties, appear to be unable to halt the trend toward political polarization. Any serious infringement of Chinese economic status would sharply increase Chinese resentment of Malay domination and thus accelerate this trend. Although friction between the Malays and the Chinese will continue and will

probably spark occasional outbursts of violence, a major communal showdown is not likely for several years. Over the next year, Malaya's prosperity will probably continue to submerge the nation's racial differences.

66. *Relations with Singapore.* Singapore, which became a semiautonomous state within the British Commonwealth in 1959, wants to merge with Malaya, but its advances are not welcomed by the Federation's Malays who fear Chinese domination. The Chinese, who are in an overwhelming majority in Singapore, would constitute 44 percent of the population in a combined unit while the Malays would be reduced to about 43 percent of the total. Initial Malay suspicion of the left-wing People's Action Party government formed in Singapore in 1959 has added to the difficulties between the two areas. As a result, the Federation has sought to eliminate its historic dependence upon Singapore's financial and port facilities by setting up its own. Singapore's economic and political prospects, without access to the Malayan "hinterland," would be extremely poor over the long run.

67. At present, there is a trend among top officials of the Federation toward a more sympathetic approach to Singapore's problems, largely as a result of their growing realization of the threat which instability in Singapore would pose for the Federation. Representatives of the two governments have been meeting from time to time to explore the prospects for a limited common market. There are, in addition, some indications that the Prime Minister and Deputy Prime Minister of the Federation have been exploring the possibility of a limited merger, but one which would preserve Malay hegemony. Although no striking developments are likely during the coming year, there will probably be closer cooperation between the two areas than in the recent past. Over the long run there may be a significant move toward a confederation of Malaya and Singapore that would also include Brunei, Sarawak, and British Borneo.

68. *Economic Vulnerabilities.* Although the Federation of Malaya is the most prosperous nation in Southeast Asia, the economy is

heavily dependent on rubber and tin, which account for 75 percent of the nation's exports and finance the import of essential foodstuffs. About 60 to 70 percent of the total population is dependent on rubber for a livelihood. The prices which Malaya receives for its rubber are largely determined by non-Malayans. Since rubber trees take at least six years to mature, production cannot be shifted quickly in the event of a price collapse. Malaya is still prosperous, but hard times for the rubber industry, as a consequence of competition from synthetic rubber, for example, could result in a generally depressed economic situation. This in turn could bring to the surface many of the Federation's now dormant political and social problems. However, the demand for natural rubber is expected to remain high during the coming year. Consequently, no serious decline in the Federation's economy is envisaged during this period.

IV. PROBABLE EFFECTS IN SOUTHEAST ASIA OF MAJOR COMMUNIST GAINS IN LAOS OR SOUTH VIETNAM

69. There is deep awareness among the countries of Southeast Asia that developments in the Laotian crisis, and its outcome, will have a profound impact on their future. The governments of the area tend to regard the Laotian crisis as a symbolic test of intentions, wills, and strengths between the major powers of the West and the Communist Bloc. They fear the possibility that the hostilities, by miscalculation or design, may spread to their own territory. In one way or another they all regard the US as responsible in large degree for the present state of affairs in Laos. The governments of South Vietnam and Thailand, for example, are convinced that if the US had given the anti-Communist elements bold and prompt support, the Laotian crisis would not have reached serious proportions and would long ago have been resolved. However, Diem and Sarit both reserve their most severe criticism for the attitudes of France and the UK. They believe that the two European powers have restrained the US and made decisive action by SEATO unlikely if not impossible. The governments of Cambodia, Burma, and

Malaya favor a political settlement and a neutralist Laos.

70. In short, the general attitudes of the governments of mainland Southeast Asia are split along the lines of their general foreign policy orientation: those in close alignment with the US favor stronger measures to assure at least a non-Communist and preferably an anti-Communist, western-orientated regime in Laos; and the neutralist governments, as well as Malaya, favor a neutralist but not Communist-dominated government. The neutralist governments, recognizing that the course of events in Laos will be determined by the major powers instead of the opposing Laotian factions, favor some form of international political agreement to end the crisis, such as UN intervention, a new conference among the powers which negotiated the Geneva agreements, or a broader international conference such as that proposed by Sihanouk. Thailand and South Vietnam would welcome some form of UN representation in Laos, but with a limited function, i.e., to stop Bloc aid to the Pathet Lao-Kong Le forces.

71. Cambodia and Burma would view with satisfaction an international political settlement of the Laotian crisis which provided for a neutral Laos and reduced the possibilities that the armed conflict would spread. However, both countries realize that a continuing strong US posture and influence in the area is necessary to keep in check Chinese Communist expansionist aspirations and to enable Cambodia and Burma to maintain flexibility in their neutralist policies. Consequently, they would be alarmed if Laos were to be lost to the Communists under conditions which would seem to indicate that the US position in the area had been seriously weakened.

72. The loss of Laos to the Communists or perhaps even the division of the country, would almost certainly incline the Thai toward accommodation to Communist power in Southeast Asia. Depending upon where the line might be drawn, a divided Laos would pose almost as many difficulties for the Thai as would a completely Communist Laos, particularly if Thailand shared a common border with the Communist-controlled portion of

Laos. A predominantly Communist-controlled Laos would vitally threaten South Vietnam's independence: it would greatly extend the Communist frontiers with South Vietnam; it would bring significantly greater Communist military power to bear on the crucial Saigon defense complex; and it would greatly facilitate Communist infiltration and subversion. The close proximity of a Communist state would make more difficult Western efforts to starch up local resistance. In short, either a divided Laos or a predominantly Communist Laos would severely damage the US position and its influence in Thailand and South Vietnam.

73. The future course of all of the countries of Southeast Asia would be strongly influenced by the actual circumstances in which the loss or division of Laos had occurred as well as the local appraisal of the attitude and actions of the US in response to the situation. The extent to which these countries would go in resisting Bloc pressures or in withstanding local Communist threats would depend in great degree on whether they still assessed that the US could stem further Communist expansion in the area. They would feel more keenly than before a strong temptation to take a neutral position between the two power blocs, even though they recognized that the US is the only country with sufficient power to oppose the Communist Bloc in the area. Although they probably would be deeply disillusioned regarding US resolution after the loss or division of Laos, they would nonetheless welcome demonstrations of US firmness and might in response modify their appraisal of their own future in due course.

74. Although the Communist threat to South Vietnam has reached serious proportions, the chances of a Communist takeover in the next year or so are considerably less than they are in Laos. Nevertheless, Peiping and Hanoi almost certainly attach greater importance to their efforts in South Vietnam than they do to their efforts in Laos. US prestige and policy are particularly deeply engaged in South Vietnam. Diem's policy of close alignment with the US is on trial in the current crisis. All

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countries of the area would attach great importance to a failure of the South Vietnam Government to cope successfully with the rising tempo of Communist subversion and armed insurrection. If South Vietnam were

to fall to the Communists or be forced to swing toward neutralism, the impact upon the countries of Southeast Asia would be similar in kind but considerably more severe than that resulting from the loss or division of Laos.

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